I do not want to go into more details. Before I conclude ...(*Interruptions*)... I must say that the Bill is in the interest of tribals and should as such be supported. Thank you.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): The quesetion is:

"That the Bill further to amend the Sixth Schedule to the Constitution of India in its application to the States of Tripura and Mizoram, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): We shall now take up clause-by-clause consideration of the Bill.

Clause—2 (*Application of Sixth Schedule to the States of Tripura and Mizoram*)

SHRI NARAYAN KAR: Sir, I move.

1. "That at page 1, lines 12 and 13, for the words 'a period of one year from the date of any agreement' the words 'the financial year of the date of any agreement' be substituted."

2. That at page 2, after line 11 the following be inserted, namely:—

'(e) prescribe that no person resident outside the district shall carry on any trade whether wholesale or retail except the Scheduled Tribes'.

3. "That at page 3, lines 33 to 45 be deleted.

4. "That at page 4, lines 16 and 17, the words 'the Council of Ministers, and if he things it necessary' be deleted".

The questions were put and the motion were negatived.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): I shall now put clause 2 to vote. The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was *added* to the Bill.

Clause 1, *the Enacting Formula and the Title were added to the Bill.*

SHRI SANTOSH MOHAN DEV: I move:

"that the Bill be passed".

The queston was proposed.

SHRI M. S. GURUPADASWAMY: Sir, we in the Opposition hold the view that this Bill is a distortion. We are not against protecting or safeguarding the interests of tribals and their traditions. But we do sincerely feel that this piece of legislation is unnecessary and it is going to create a lot of problems in futre. It is a total distortion of the spirit of the Constitution and because of this we cannot cooperate with the passing of the Bill. We walk out.

[At this stage some hon. Members
The motion was adopted.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): The question is:

"That the Bill be passed".

The motion was adopted.

CONSTITUTION SIXTIETH AMENDMENT) BILL, 1988.

THE MINISTER OF FINANCE (SHRI S. B. CHAVAN): Mr. Vice-Chairman, Sir, I move:

"That the Bill further to amend the Constitution of India, as passed by the Lok Sabha, be taken into consideration."

The Bill seeks to amend clause (2) of Article 276 of the Constitution to increase the ceiling of Profession Tax from two hundred and fifty rupees per person per annum to two thousand and five hundred rupees per person per annum. (*Interruptions*). Hon. Members are aware that clause (2) of Article 276 of the Constitution provides that the Legislature of a State may levy tax in respect of professions trades, callings and employments but the total amount payable in respect of any

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one person by way of such tax shall not exceed two hundred and fifty rupees per annum. (*Interruptions*). Presently, fourteen States, Andhra Pradesh, Assam, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Tamil Nadu, Tripura and West Bengal, are levying Profession Tax. Some of the States like Gujarat, Maharashtra and Andhra Pradesh have represented that this ceiling of Rs. 250/- needs to be revised upwards considering the erosion of the value of the rupee due to price rise since 1949. The ceiling of Rs. 250/- per person per annum was fixed 39 years ago in 1949. The Sarkaria Commission on Centre-State Relations have also stated in their Report that several States had suggested that this limit should be suitably revised in view of the increase in income levels. They have, therefore, recommended that such a limit should be revised at frequent intervals in consultation with the States.

The Government of India have considered the issue in depth. It has been felt that on account of the present ceiling, the profession tax has become almost regressive since even people with high incomes have to pay this tax at only the maximum amount of Rs. 250/- per annum. As you are aware, there has been a considerable increase over the years in the expenditure incurred by the States and local bodies and the State Governments have, therefore, been facing resources constraint. As such, it is necessary to enable the States to raise more resources and profession tax is one of the instruments which has considerable potential for greater exploitation than hitherto. The upward revision of profession tax will also help the State Governments to mobilise additional resources particularly from that section of the population which benefits most from the expanding civic amenities and services.

It is, therefore, proposed to amend clause (2) of article 276 of the Constitution to increase the ceiling of profession tax from Rs. 250/- to Rs. 2,500/- per person per annum. It may be mentioned that the amendment proposed by the Government of India is only in the nature of an enabling provision and it will be for the States to levy such amounts as they may consider necessary up to the ceiling of Rs. 2,500 per person per annum. Thus the discretion to fix the amount of profession tax within this ceiling as well as prescribe the different rates also for different categories of persons is left to the State Governments and they are expected to prescribe the tax rates keeping in view all the relevant factors including the needs of municipal bodies.

The amendment proposed seeks to enhance the ceiling limit of the tax and it would be appropriate to prescribe a ceiling as the intention of the Constitution-makers was also to provide a ceiling in this case. The Sarkaria Commission also have recommended a ceiling change from time to time and not suggested doing away with the ceiling. The proviso to clause (2) of article 276 enables continuance of levy of such tax at a rate exceeding Rs. 250 per person per annum in any State, municipality, etc. if in the financial year immediately preceding the commencement of the Constitution there was in force in that State, municipality, etc. any such tax exceeding that rate. As the proviso to this clause is no longer relevant, it is proposed to omit it.

Sir, I move that the Bill be taken into consideration.

The question was proposed.

SHRI KAMAL MORARKA (Rajasthan): Sir, this is a vey small Bill which only seeks to enhance the ceiling of profession tax from Rs. 250 to Rs. 2,500 and, as the honourable Finance Minister has said, this limit was fixed in 1949 and it is felt that the ceiling in monetary terms is very low. Basically, Sir, on this particular provision of the Bill, there is not much to say. But I must take this opportunity of bringing to the attention of the honourable Finance Minister two or three matters which he should consider taking an overall view of the provision. What is the provision in the Constituion? It is to enable the States to have a source of revenue from profession tax from the self-employed people.

Now, ther is the larger issue of devolution of resources to the States.... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Order, order, please.

SHRI KAMAL MORARKA: ..... which the Ninth Finance Commission has dealt with ...*(Interruptions)*... In my opinion, the basic issue is the resource position, the method of collection of tax and the ultimate burden on the taxpayer. Now, how many States are really capable or even have implemented the professional tax? You will observe that very few ....*(Interruptions)*

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Members are requested to be silent.

SHRI KAMAL MORARKA: And the resource mobilisation on account of professional tax is very meagre. I don't have figures of all the States. Let us take Karnataka. They levy professional tax. The whole year the revenue is six crores of rupees and the expenditure they incur on collection is definitely disproportionate. The issue which must agitate the minds of the Finance Minister as well as all the States is whether it is worth creating so many forms of tax where the cost of collection is not worth the total amount mobilised. On that issue I again want to mention that the 9th Finance Commission Report is very, very important one, and if the divisible pool is increased, if the devolution of resources is done in a different manner, the basic issue whether there should be professional tax itself will be under review. And as we have seen during the last two or three elections, the abolition of sales tax has been a part of the manifesto of many parties, part of the declared policy from time to time. There was a committee under Shri Kamlapati Tripathi to examine whether sales tax should be abolished. At a time when we are examining whether sales tax itself can be done away with, whether octroi can be done away with, I do not see any justification why the State Government should levy a tax on professionals. True, professionals are earning money. True, they must give something to the exchequer. But that should be by way of income tax. You can have a method by which a part of the income tax can be sent to the States on account of this. But having a separate tax at the State level, this is an unnecessary exercise. That is point No. 1.

Point No. 2 is on the issue of indexation. It is a very good thing if you are saying that Rs. 250 monetary value is less and today we are increasing it. Some system of indexing should be there for all monetary ceilings, upper or bottom ceilings, in the various Taxation Acts. The Income-tax Act—every time there is a clamour for increasing the exemption limit. On the ground that it will affect the revenue we do not increase the exemption limit. But, at the same time, the exemption limit on income-tax has become totally unrealistic. Today Rs. 18000 or Rs. 24000 is no limit. Why am I mentioning this? It is because it is not out of context, because the taxpayer is the same. If the exemption limit of income-tax is not increased but the professional tax ceiling is increased the person himself is hit. Whether the tax is going to the Centre or to the States does not affect the individual. So an overall picture of the finances should be taken, and this ceiling has to be revised. Some sort of indexation must be done. I do not say that the ceiling should vary every year—maybe every three years, maybe every five years. The same thing about sales tax which is a major source of revenue for the States. They are very reluctant to part with it. Naturally so. But what is happening to sales tax?

When the Sales Tax Act was first introduced, let us say, in Maharashtra in 1951, the ceiling was that any establishment making a total sale of

[Shri Kamal Morarka]

Rs. 30,0000 a year would be subject to sales tax. They have to collect sales tax any pay. Today, in Bombay the sale of a paanwallah is Rs. 30,000 a year. Okay, recently the ceiling has been revised to Rs. 60,000. But it does not meet the requirement at all. What has happened in the process is that the tax collection machinery has developed a lot of sloth. The number of taxpayers has increased in geometric progression. An army of tax collectors we are having. It is giving rise to harassment, corruption, leakage. The net revenue to the Exchequer has not gone up in the same proportion. (*Time bell rings*) So I would like to say that though increasing the ceiling on professional tax is a very small matter, what the Centre must apply its mind to is what should be the overall picture of burden on the common man, how we can get the maximum revenue in the least painful way. That should be our exercise. And if sales tax is to be abolished or we can merge it with excise duty and there has to be again a devolution of resources to the States, according to me, a serious study should be done, whether the Finance Commission does or it is done by a separate committee. But a time has come when we must have a fresh look into the entire gamut of taxation, specially with respect to the method of collection of tax. Our whole collection machinery of income-tax, excise duty, sales tax, the whole thing has become so big that really what we are finally able to collect is much more painful, much more slow, and what we are now having—the features of special courts and special tribunals—nothing will help. There should be simplicity of taxation directly applicable; collection of tax at the least points and we should be able to collect it efficiently. I request the Finance Minister to have a look at that.

With these words, Sir, I end my submission on this Bill. Thank you, Sir.

MESSAGE FROM THE LOK SABHA

Tamil Nadu Appropriation (No. 3) Bill, 1988

SECRETARY-GENERAL: Sir, I have to report to the House the following message received from the Lok Sabha signed by the Secretary-General of the Lok Sabha:

"In accordance with the provisions of rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose the Tamil Nadu Appropriation (No. 3) Bill, 1988, as passed by Lok Sabha at its sitting held on the 5th December, 1988.

2. The Speaker has certified that this Bill is a Money Bill."

Sir, I lay a copy of the Bill on the Table of the House.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Now the House stands adjourned to meet again at 11 a.m. tomorrow, the 6th December, 1988.

The House then adjourned at thirty-six minutes past six of the clock till eleven of the clock on Tuesday, the 6th December, 1988.